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Subject: Sustainable Warmth Update

Report to:	ELT	8 March 2023
	Housing and Neighbourhoods Committee	16 March 2023
	Council	23 March 2023

Report by: Nicola Turner, Housing Director

SUBJECT MATTER/RECOMMENDATIONS

This report provides an update on the Sustainable Warmth grant funding for 2022/23 to improve the energy efficiency of the worst performing homes of all tenures across the borough and details the bid for further Homes Upgrade Grant funding in 2023/25.

Recommendations:

That Housing and Neighbourhoods Committee note the report and recommend to Full Council:

1. Acceptance of the Homes Upgrade Grant 2 (HUG2) funding for 2023-24 and 2024-25 should the Council's bid be successful.
2. Note the prior completion of the Memorandum of Understanding in relation to the potential HUG2 funding in 2023-25 and the completion of any variations to the Memorandum of Understandings and contracts in relation to the extension of timescale for delivery of the existing funding programmes.
3. Delegation of all decisions on the use of and spend of the HUG 2 funding in accordance with the requirements of the Memorandum of Understanding to the Director of Housing Assets.
4. Update the 2023-4 and 2024-5 General Fund capital budgets, should the bid be successful to reflect the HUG2 funding and Housing Revenue Account 2022-23 and 2023-4 as set out in this report.

1. Introduction

- 1.1 In March 2022, committee received a report which detailed the £5,870,456 of Department for Energy Security and Net Zero¹ grant money secured by the Council to improve the energy efficiency of homes, relating to successful bids from three separate funding streams. This funding was available in 2023-23 and was expected to result in 408 homes across the borough benefiting from the installation of energy efficiency measures.
- 1.2 The £5.8m awarded to the Council for energy efficiency grants was made of three separate programmes:
- Local Authority Delivery 3 (LAD3) – to deliver works to improve the energy efficiency of the least efficient homes which are **on** the gas grid network occupied by low-income households. £1,654,670 of funding was awarded to undertake works to 153 homes, although some homes will receive more than one type of energy improvement work.
 - Home Upgrade Grant (HUG) – to deliver works to improve the energy efficiency of the least efficient homes which are **off** the gas grid² occupied by low-income households. £2,576,621 of funding was awarded to undertake works to 170 homes, although some homes will receive more than one type of energy improvement work. This programme is now called HUG1.
 - Social Housing Decarbonisation Fund (SHDF) – to improve the energy efficiency of the least efficient social housing homes. Under Wave 1, the Council also bid on behalf of two other Registered Providers in relation to their homes outside of the borough. In total £1,639,165.65 was awarded, of which £1,169,165 was for spend in the borough. The total number of homes to be improved was 131 of which 46 homes are outside the borough.
- 1.3 All three programmes LAD3, HUG1 and the SHDF are targeted at properties which have an Energy Performance Certificate (EPC) rating of E,F or G, although in some circumstances properties with a rating of D are able to be included. The LAD3 and HUG1 programmes require that the households occupying homes have low incomes to ensure the funds are targeted at those who are most impacted on by living in a property which is not energy efficient. For tenanted properties a landlord contribution of a third of the cost of works is required.
- 1.4 This report also provides information on the bid for more Home Upgrade Grant funding in 2023-4 and 2024-5 to improve energy efficiency

2. Current position

- 2.1 A framework was used to procure E.ON Energy Solutions Ltd to provide project management of the LAD3, HUG1 and SHDF grant programmes as well as deliver the required works using their own accredited suppliers. Delivery has been overseen by the Housing Assets Team. The Team have also been responsible for liaising with the Department for Energy Security and Net Zero and completing all required monitoring and returns. Originally the funding required

¹ Formerly called the Department of Business, Energy and Industrial Strategy (BEIS)

² Includes properties in areas with gas supplied as relates to properties which currently have no form of gas heating.

that all spend was completed by 31 March 2023, however, reflecting some delays nationwide in programme delivery all grant recipients are being asked to submit closure reports which identify the timescales for completion of the programmes, which can extend into the 2023/4 financial year. The Council has submitted closure reports which seek to extend the completion date for LAD3, HUG1 and SHDF to the 30 September 2023, although the LAD3 and HUG1 programmes are expected to complete in the summer. It is expected that should the extension be approved, that the Council will be asked to complete a Variation to the existing Memorandum of Understandings with the Department of Energy Security and Net Zero to reflect revised delivery deadlines.

2.2 Paragraphs 2.3 to 2.5 below provide a summary of delivery against each of the LAD3, HUG1 and SHDF programmes and sets out where there have been some operational differences to the tenure and number of homes able to be supported by the grant funding. The SHDF programme has had the most challenges to face due to the consortium approach and the challenges of developing an External Wall Insulation programme.

2.3 Local Authority Delivery

Originally this funding was expected to improve 153 homes of which 140 would be owner occupied homes and 13 social housing homes, but the funding will now deliver works to 149 homes, of which 136 are owner occupied homes and 13 are social housing homes, with works to 134 homes expected to be completed by 31 March 2023.

The measures being delivered to homes are:

- External Wall Insulation
- Hybrid Air Source Heat Pump
- Smart Heating Controls
- Solar PV
- Loft Insulation
- Under floor Insulation.

Overall, the works will increase the average EPC of properties from a D to a C.

Properties in the following wards have received/will receive works:

- Bradwell South and Hopton
- Caister North
- Caister South
- Central and Northgate
- Claydon
- Gorleston
- Lothingland
- St Andrews
- Yarmouth North.

2.4 Home Upgrade Grant

Originally this funding was expected to improve 170 homes, but the funding will now deliver works to 156 owner occupied homes, of which the works to 136 homes are expected to be completed by 31 March 2023.

The measures being delivered to homes are:

- External Wall Insulation
- Air Source Heat Pump
- Solar PV
- Loft Insulation
- Under floor Insulation.

Overall, the works will increase the average EPC of properties from an E to a C.

Properties in the following wards have received/will receive works:

- Bradwell North
- East Flegg
- Ormesby
- Lothingland
- Southtown and Cobholm
- St Andrews
- West Flegg

2.5 Social Housing Decarbonisation Fund

Originally this funding was expected to improve 11 private homes and 74 council homes within the borough and 46 social housing homes outside of the borough in other parts of Norfolk. The funding will now deliver works to 127 homes within the borough of which 10 will be private homes. Private homes within the programme adjoin Council owned homes. Due to the delays incurred, works to 17 homes will be complete by 31 March 2023. The works to the remaining 110 properties will be complete by 30 September 2023 at the latest.

The SHDF will be used carry out External Wall Insulation works or install Solar PV to improve homes in the following wards:

- Caister South
- East Flegg
- Fleggburgh
- Ormesby
- West Flegg

Overall, the works will increase the average EPC of properties from an E to a C.

2.6 E.ON Energy Surveys have undertaken random surveys of residents following completion of works, whilst to date only 29 responses have been received (LAD3 and HUG1) 79% of responses were positive. The following comments on the scheme and installations were provided.

“The installation was completed with no inconvenience to us. The whole process was excellent and we were kept informed throughout the process.”

“Good, nice work and everything hunky dory. We feel privileged to receive such help.”

“They were incredibly efficient, knowledgeable and we’re able to answer all my queries.”

“From start to finish the whole process was extremely efficient.”

Where negative scores were received, E.ON Energy Solutions Ltd contacted the residents to rectify any issues being experienced.

3. New Funding

- 3.1 In September 2022, a further opportunity to bid for Homes Upgrade Grant was announced to cover the period 1 April 2023 to 31 March 2025. This funding is called Homes Upgrade Grant Phase 2 or HUG2. Whilst this funding was welcomed, there was no further funding announced to support energy improvements to properties which have gas heating.
- 3.2 The Council submitted a bid for HUG2 funding to support works to improve 317 homes across the borough over the next two financial years, delivery will again focus on private sector homes. Tenanted properties will be eligible subject to a landlord contribution, however, in relation to private rented properties, the grant is only available for landlords with 4 or less properties and larger landlords are excluded.
- 3.3 HUG2 has a different approach in that bids are made based on indicative grant requirements which provides an overall envelope of funding. As properties and residents are assessed as eligible for grant works, a batch of properties is submitted for formal grant approval. One of the benefits of HUG2 over the existing programme is the removal of the financial means test where a household lives in a property which as an Energy Performance Certificate rating of D or less (E, F or G) and that property is in a Lower Layer Super Output Area ranked between 1-3 of the Income Decile classification of the Indices of Multiple Deprivation. This means that across the borough properties which do not have gas heating in 1,282 post code areas will be eligible with no financial test. Further work will be done, should the bid be successful to further target delivery of the HUG2 funding.
- 3.4 Should the Council's bid for HUG2 funding be successful, the Council will not be able to complete works to any properties using HUG2 funding, until the installation of works to properties funded by HUG1 are complete. The Council, can however, still start the implementation process, in terms of publicising the availability of grant funding and carrying out assessments of property and occupier eligibility allowing works to start at the earliest opportunity once HUG1 delivery has finished.

4. Financial Implications

- 4.1 There is no cost to the General Fund of delivering the LAD3, HUG1 and SHDF programmes reflecting the grant funding awarded which includes an element for administrative and ancillary costs. Budget provision has been made in the capital programme for both 2022-3 and 2023-4 relating to the landlord contribution required of the SHDF for works to Council homes. The HRA match funding has increased on that originally required as the Council has increased the number of Council homes which will benefit from energy efficiency works.
- 4.2 The Council element of administration and ancillary costs allowance within the LAD3, HUG1 and SHDF grants, has been used to fund a dedicated full time project manager and additional staff resource to support them. The Council's staff are responsible for providing assurance of programme delivery and outcomes for the Council across all three programmes. The HUG2 bid includes an element of administration and ancillary costs allowance which will fund the ongoing internal staff resource required to oversee the delivery of the HUG2 programme, should the bid be successful.
- 4.4 The funding for HUG2 will, unlike the current programmes be paid in a number of payments relating to an initial grant to establish the delivery of the grant programme and then as

“batch” payments relating to the submission of details of properties which have been assessed as complying with the scheme requirements and which are ready for the installation of energy efficiency works. This does remove any risk of repayment of grant, should programme outcomes in terms of the number of properties be unable to be met, but does mean more active monitoring of spend on administration and ancillary costs will be required, as these remain capped at 15% of total grant spend. Should the bid be successful, the Council’s General Fund capital programmes for 2023-4 and 2024-5 will be updated to reflect the grant available in each financial year.

5. Risk Implications

- 5.1 Previous reports have set out the risks associated with the Council’s delivery of the LAD3, HUG1 and SHDF programmes. These risks equally relate to the current bid for HUG2. As part of grant delivery, the Council will regularly undertake a review of risks, including risks associated with fraud. Two of the main risks of supply chain management and ensuring compliance with retrofit standards are mitigated by the use of one contractor, who has confirmed their ability to deliver the required outcomes of the grant.

6. Legal Implications

- 6.1 The Council has been requested to complete a Memorandum of Understanding in relation to the HUG2 funding bid. Reflecting the positive delivery of LAD3, HUG1 and SHDF programmes and the need to ensure that the use of grant complies with procurement rules, the Council intends to use the Fusion 21 Framework to appoint E.ON Energy Solutions Ltd to deliver HUG2.
- 6.2 The HUG2 Memorandum of Understanding requires that landlords who receive grant complete a subsidy control form to ensure that any grant they receive does not exceed applicable limits. This will be controlled through the property and landlord eligibility rules for the HUG2 programme via the delivery partner.
- 6.3 A formal variation to the contracts with E.On Energy Solutions Ltd will be made to reflect the expected extension to the completion dates for the LAD3, HUG1 and SHDF programmes.

7. Conclusion

This report provides an update on the delivery of LAD3, HUG1 and SHDF grant programmes which will by the end of these programmes have resulted in the increase in the energy efficiency of a total of 432 homes across the borough. It also seeks approvals to deliver HUG2 across 2023-4 and 2024-5 should the Council’s bid for funding be successful.

8. Background Papers

Sustainable Warmth Competition Update – Policy and Resources Committee, 30 November 2021

Sustainable Warmth and Decarbonisation – Housing and Neighbourhoods Committee, 10 March 2022

Areas of consideration: e.g. does this report raise any of the following issues and if so how have these been considered/mitigated against?

Area for consideration	Comment
Monitoring Officer Consultation:	Via ELT
Section 151 Officer Consultation:	Via ELT
Existing Council Policies:	Corporate Plan
Financial Implications (including VAT and tax):	Discussed in report
Legal Implications (including human rights):	Discussed in report
Risk Implications:	Discussed in report
Equality Issues/EQIA assessment:	The LAD3, HUG1 and HUG2 programmes are targeted at low-income household living in the most inefficient homes. Many of these households will have protected characteristics and the works will improve their health and wellbeing by providing a more energy efficient home.
Crime & Disorder:	Not applicable
Every Child Matters:	Not applicable